

To: Members of the Long-Range Planning Committee

From: Frank Gilmore, Chancellor, Montana Tech of The University of Montana

Date: February 5, 2007

Subject: Item 41 LRBP, Augment Petroleum/Bureau Mines & Geology Funding Plan

This is a request for a supplemental appropriation of \$3.2 million to complete the funding for the Petroleum Engineering and Montana Bureau of Mines and Geology Building. These two departments have programs that are part of the array of Montana Tech programs concerned with education and research in the production, use and protection of our non-renewable natural resources and water resources. These non-renewable natural resources and water resources are the key to future energy production in Montana.

In House Bill 540, the 59th Montana Legislature provided \$9 million towards the cost of construction of a new Petroleum Engineering and Montana Bureau of Mines and Geology Building. In House Bill 5, the 59th Montana Legislature provided \$5.4 million spending authority to make the total spending authority \$14.4 million. The size of the building has been reduced from 70,000 sq. ft. to approximately 57,000 sq. ft. to keep the construction costs within the spending authority of \$14.4 million. This reduced size is the absolute minimum that the architect for the project believes can serve the current needs for the two users. Operation and Maintenance costs for this building are presently included in House Bill 2. The complete funding plan for the building is shown below:

\$9.0	million from HB 540 59 th Legislature
0.2	million from the sale of property in the Mineral Research Center
2.0	million from private fundraising*
<u>3.2</u>	million requested in HB 5 of the 60 th Legislature
Total \$14.4	million

- ***Bureau Fundraising:** Fundraising for the Montana Bureau of Mines and Geology part of the building has been very difficult and to date has not resulted in any funds. Numerous applications to foundations known to fund buildings have not been successful. The general problem is that most groups believe that the State should provide facilities for state agencies.
- ***Petroleum Engineering Fundraising:** Despite policies against funding bricks and mortar by most large petroleum companies such as BP and Exxon Mobil, fundraising for the Petroleum Engineering part of the building has been successful. The Montana Tech Foundation currently holds in cash and pledges approximately \$1.6 million. By the end of 2007, request letters currently in the hands of potential donors and other current fundraising activities should result in the \$400,000 needed to complete the funding.